



Delegated decision report

DECISION UNDER DELEGATED POWERS

DECISION CANNOT BE TAKEN BEFORE THURSDAY, 13 DECEMBER 2012

Title	SALE OF THE FORMER WEST WIGHT MIDDLE SCHOOL, FRESHWATER – AGREEMENT TO SPECTRUM HOUSING GROUP BEING TREATED AS A SPECIAL PURCHASER OF THE SITE.
Report of	REPORT OF THE DEPUTY LEADER AND THE CABINET MEMBER FOR THE ECONOMY AND REGULATORY SERVICES

EXECUTIVE SUMMARY

1. This paper seeks approval for the council to negotiate with Spectrum Housing Group (SHG) as a special purchaser for the council's landholding at the former West Wight Middle School, Freshwater.
2. SHG plans to provide 69 per cent of affordable homes at this site rather than the 35 per cent required by planning policy, potentially securing £1,093,455 of Homes & Communities Agency (HCA) funding for the benefit of providing affordable housing on the Isle of Wight, as well as providing a range of other additional benefits to the Island both during construction and into the future, as set out in the report.
3. Any final terms of sale agreed with SHG as a special purchaser would be subject to a further report to confirm that the council is achieving best consideration for the disposal.

BACKGROUND

4. The former West Wight Middle School dates from 1938, and sits on a site extending to approximately 1.49 hectares (3.68 acres), fronting Queens Road in Freshwater. A site plan is attached as Appendix 1 with the site outlined in red. The site accommodated West Wight Middle School until its recent closure under the council's schools' reorganisation programme, when the site was declared surplus to educational requirements in the cabinet member delegated decision 22/11 "Disposal of School Sites".

5. It is normal practice for the council to openly market surplus property assets to ensure transparency and best consideration, but prior to marketing being commenced at the former West Wight Middle School, the council was approached by Spectrum Housing Association which expressed an interest in purchasing this site to provide a residential development with the majority of units being affordable housing.
6. The council is able, should it choose, to sell its surplus property assets without marketing first if best consideration is still achieved, and sufficient additional benefits will be realised by the council/the Island. Accordingly, this report seeks approval for the council to treat with SHG as a special purchaser at the former West Wight Middle School.
7. SHG was established in 2007, is a Registered Social Landlord (Housing Association) and is registered with the Homes and Communities Agency (HCA) which provides central government grant funding for the provision of affordable housing. The group own and manage over 18,000 homes, maintains a further 35,000 properties and will be developing in the region of 700 homes a year across the south and south west of England under the HCA's Affordable Homes Programme until 2015.
8. Under the HCA 2011-2015 Affordable Housing Programme £2,060,330 has been allocated to housing associations to deliver new affordable homes across the Island. Of this £2,060,330, SHG was responsible for securing the bulk of the monies to the Island in the sum of £1,093,455.
9. SHG work in partnership with local authorities, health trusts, statutory bodies, higher education establishments and a range of voluntary organisations with a view to providing affordable general needs housing and also sheltered, extra care and key worker accommodation for social rent, shared ownership and discounted market sale.
10. SHG includes four housing associations, one of which is Medina Housing, which owns, manages and maintains approximately 3,000 homes on the Isle of Wight, comprising mainly general needs, but also including 317 sheltered housing dwellings for rent, providing managed accommodation for people over pensionable age or registered disabled. Seven of its eight sheltered housing schemes on the Island benefit from the support of a sheltered housing officer and 24 hour on call cover provided by Wightcare.
11. In addition to affordable rent, SHG also offers a HomeBuy scheme for those wishing to purchase a house but who cannot afford to on the open market, through equity loans or part buy/part rent.
12. Further generic benefits SHG offer on the Isle of Wight are set out in Appendix 2, including accommodation and facilities for young people, financial advice and debt support. It is SHG's intention to achieve all of these where possible at the former West Wight Middle School development.
13. In bidding for the council's development sites to deliver the above aims, where viability is proven it is the intention of SHG to both:

- (i) pay at least open market value for the land; and
 - (ii) provide in excess of the 35 per cent of affordable housing required by planning policy, as noted above. It is SHG's ambition to provide at least 50 per cent affordable housing on schemes where possible, with an additional affordable homes based overage arrangement, whereby efficiencies achieved through the development will be ring fenced to deliver more affordable homes on the island
- 14. To verify the open market value of the site, IWC will instruct two independent valuations, undertaken by two independent chartered surveyors in accordance with the Royal Institute of Chartered Surveyors Red Book Valuation Guidance.
- 15. Any offer by SHG will be required to be at or in excess of the two valuation figures reported, ensuring best consideration is achieved by the council.
- 16. It is SHG's aim to use grant funding to enable more affordable housing than is required under planning policy S106 requirements. This is a key driver for SHG behind the organisation seeking 'special purchaser' status. With regard to the former West Wight Middle School site, SHG has offered 69 per cent affordable housing rather than the standard 35 per cent required by planning policy, providing 35 units of affordable housing, rather than 18, generating an additional 17 affordable homes for Freshwater. All of these homes will be built to "lifetime homes" standard. In addition, SHG offer an affordable homes based overage arrangement, whereby efficiencies achieved through the development will be ring fenced to deliver more affordable homes if possible.
- 17. To provide this affordable housing, SHG may require HCA (Government) funding. The funding to provide 35 units of affordable housing at the former West Wight Middle School has been approved in principle by the HCA, but extremely tight timescales must be achieved to ensure grant monies are spent on the Island: the properties must be completed and occupied by no later than January 2015, otherwise failure to deliver under the HCA Affordable Homes Programme will result in that funding being withdrawn. Accordingly, it is unlikely that the council has sufficient time to market this site in the normal way, allowing SHG the time to make a successful bid for the land and also to secure the HCA funding which may be lost to the Island if SHG is not able to identify a suitable site for development.
- 18. Whilst the £1 million of HCA grant is allocated for the delivery of a number of sites on the Island by SHG, this may still be at risk as the HCA, as part of its governance of housing delivery with the registered social landlords who are signed up to the government's Affordable Homes Programme, reviews any isolated failure of spend against the whole allocation. This could result in the full grant allocation being lost to the Island along with the corresponding number of much needed new affordable homes, including rural properties and larger homes for rent for which there is a growing demand on the Homefinder scheme.

11. To achieve the HCA timetable, it is important that SHG start on site at the former West Wight Middle School by June 2013 to enable the project to be completed by January 2015, enabling the HCA funding to be utilised, and the delivery of a core corporate priority; Housing and Homelessness. This will also help achieve delivery of the key performance cabinet indicator of an annual target of 100 new affordable homes. SHG has asked that the council agree to treat it as a special purchaser for the site so that it can commence investing in the costs of both purchasing the site and progressing the redevelopment proposals.
12. The council and Western Challenge Housing Association (one of the four subsidiaries of SHG) have previously worked together strategically to deliver housing on the Pan Extension in Newport, which will provide 846 new homes over a 12 to 16 year period. To date 78 affordable homes have been provided, with a further 176 to be delivered by end of September 2014.

STRATEGIC CONTEXT

13. One of the key principles of the corporate plan is “the council will actively seek to sell or dispose of assets that are surplus to requirements where practicable to maximise receipts”.
14. The disposal of sites meets a number of council’s key priorities within its corporate plan 2011 – 2013, including:
 - raising educational standards (if it is a surplus school site which is being sold; enabling the funds realised to be reinvested into the schools reorganisation programme);
 - housing and homelessness (through the delivery of housing and affordable housing, with a higher percentage of affordable housing being achieved over and above that required under planning policy);
 - regeneration and the economy, and
 - the delivery of budget savings through changed service provision.
15. When a surplus school property is disposed of, a capital receipt is generated for the school reorganisation capital investment budget, to assist in delivering the schools reorganisation programme (the latter being approved by decision reference 76/07).
16. In November 2011, central government issued its national housing strategy ‘Laying the foundations: a housing strategy for England’ which presented the intended direction of travel for strategic housing, along with its role in the wider economy. The strategy highlights a commitment to freeing up public sector land for affordable housing, economic development and local job creation and gives strong encouragement to local authorities to enable the same. This disposal aligns with this strategy.

PLANNING

17. A planning application has been submitted (reference number TCP/23150/D – P/01332/11) and it is hoped that a decision will be made by the end of 2012.

CONSULTATION

18. Details of this proposal have been forwarded to the parish council, ward member, and cabinet member for the economy and regulatory services and no adverse response has been received.

FINANCIAL / BUDGET IMPLICATIONS

19. The financial/budget implication for the potential sale of this site to SHG will be set out in the report to follow, “Sale of the former West Wight Middle School site, Freshwater – approval of financial offer”.
20. The terms of this agreement with SHG will require SHG to pay the council at least open market value for the site. This value will be established by two independent chartered surveyors providing independent valuation advice; which will be paid for by SHG. Therefore the council will not be receiving less than market value as a result of this agreement with SHG, and it will not cost the council to achieve this. It will receive at least open market value, plus additional affordable housing and the other benefits listed in the appendices attached.

CARBON EMISSIONS

21. There will be a reduction in the council’s carbon emissions from the disposal of this site which will be dealt with in the report to follow, if appropriate.

LEGAL IMPLICATIONS

22. The council has the ability to dispose of property under section 123 of the local government act 1972 for best consideration.
23. The council is able to consider interest from a special purchaser if either the special purchaser has an existing interest in the property (such as a lease)/owns adjacent landholdings, or if treating with that party would progress a particular council policy objective, such as housing or economic regeneration. In each case there will be a negotiated settlement rather than an open market transaction/process. The purchase price will be agreed by two independent chartered surveyors at the cost of the special purchaser.

EQUALITY AND DIVERSITY

24. The council, as a public body, is subject to general and specific duties under equality and diversity legislation and as such has a duty to impact assess its service, policies/strategies and decisions with regard to diversity legislation and the nine ‘protected’ characteristics (race, gender reassignment, disability, age, sex and sexual orientation, religion or belief, pregnancy or maternity, marriage and civil partnership).

PROPERTY IMPLICATIONS

25. Property implications will be dealt with generally in the report to follow, if appropriate.

OPTIONS

26. Options have been considered as follows:
- a. To agree to treat with SHG as a special purchaser for the former West Wight Middle School site to enable the provision of affordable housing as set out in this report, subject to a further report to confirm that the council is achieving best consideration for the disposal.
 - b. For the council not to agree to treat with SHG as a special purchaser, but to offer this site on the open market in the normal way.

RISK MANAGEMENT

27. Option (a) may result in a risk that the council will not receive best consideration for the site if it has not been openly marketed, and an offer from SHG is simply accepted. However, this risk is low as it is mitigated by the commissioning of two independent valuations in order to establish the open market value as accurately as possible, and to ensure that the council receives at least this value for the site.
28. Option (a) carries a low to medium risk that the HCA timetable cannot be achieved, and the funding is lost to the Island. SHG and the council's housing department have a good relationship with the HCA, and will work closely with it, keeping it informed of progress and target dates. In this way it is hoped that the funding will remain available for the former West Wight Middle School redevelopment.
29. Option (b) would result in a high risk of the loss of the HCA funding, resulting in additional affordable housing and other SHG benefits not being realised because of the tight timescales for delivery of schemes linked to this funding.

EVALUATION

30. On the basis that open market value is likely to be achieved – as certified by two independent valuers – and to ensure that 69 per cent affordable housing as well as all of the other benefits noted in this report as offered by SHG are achieved, it is considered that Option (a) is the most appropriate disposal path for this site.
31. Option (b) is not recommended as all of the benefits noted above as offered by SHG will not be realised if a private developer buys the land. In addition, if SHG cannot then bid along with the private market due to the timescales attached to the HCA funding, in these uncertain economic times lower offers may well be received from the private market, and the HCA funding will be lost to both this development and the Isle of Wight.

RECOMMENDATION

32. That the council adopts Option (a) -

To agree to treat with SHG as a special purchaser for the former West Wight Middle School site to enable the provision of affordable housing as set out in this report, subject to a further report to confirm that the council is achieving best consideration for the disposal.

APPENDICES ATTACHED

33. [Appendix 1](#) – Site plan

34. [Appendix 2](#) – Added benefits offered by SHG

BACKGROUND PAPERS

35. [Delegated decision 22/11 “Disposal of School Sites”](#).

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Decision

Signed

Date
